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October 16, 2007

### **AGENDA ITEM 3**

#### **TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Status of Interim Board Health Benefits Consultant
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. BACKGROUND:**

At the September 11, 2007 Board Meeting, the CalPERS Board of Administration selected Watson Wyatt and Company (Watson Wyatt) as the interim board consultant for Health Benefits. Upon selection the Board directed CalPERS staff to incorporate fiduciary language into the Watson Wyatt contract. After a meeting of the legal counsels of CalPERS and Watson Wyatt, fiduciary language was agreed upon and incorporated into the Watson Wyatt consulting contract.

On September 26, 2007, the Health Benefits Branch (HBB) provided Watson Wyatt an overview of current HBB activities and projects. Watson Wyatt was also given the opportunity to have their outstanding concerns addressed as well.

The Deputy Executive Officer, Health Benefits or designee, will be the liaison between the Health Benefits Committee and Watson Wyatt during the period that Watson Wyatt will be the interim board consultant, October 12, 2007 through December 31, 2007. Watson Wyatt's general consulting agreement continues through June 30, 2009. It is anticipated that a permanent Board Consultant for Health Benefits contract will be in place January 1, 2008.

The following are suggested areas for the interim consultant to investigate:

- Concept of using a Single Administrator
- Consolidation of Pharmacy Benefit Management
- Concept of a unified Health and Disease Management Program
- Strategies for engaging Employers and Members on health improvement

**V. STRATEGIC PLAN:**

This request relates to Goal X: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

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